Aircraft Structural Commodity Council
Industry Conference Presentation

June 6, 2005

Agenda

0800-0815 Introductions

0815-0845 Welcome
- **Mr. Kenneth Winslette**

0845-0850 Opening/Administrative Remarks

0850-0930 Commodity Council Briefing/Introduction of Team
- **Mr. Hugh Foskey**

0930-0945 Break

0945-1030 Analysis to Date
- **Ms Jolene Nichols**

1030-1100 Questions & Answers

1100-1200 Lunch

1200-1600 One-on-one Meetings with Suppliers

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We Must Transform the Way We Conduct Our Business!

If the Department of Defense is to stay prepared for the security challenges of the 21st century, we must transform not just our defense strategies, not just our military capabilities, not just the way we deter and defend—but we must also transform the way we conduct our business.

Secretary of Defense Donald H. Rumsfeld
June 4, 2003

Transformation is not a choice – it's inevitable!

Senior Leaders on Transforming our AF

"There is a lot of talk about transformation out there today … It is not just all about technology; it is about relationships. It is about the commitment of our people to do things in new and different ways."

CSAF Gen Jumper

"…commitment of our people to do things in new and different ways."

"…we view transformation as one of our principle missions… First, we must improve basic business efficiencies in our organizations from headquarters down to depots and our acquisition of major systems and the conduct of operations."

AF Secretary Roche

"…from headquarters down to depots and our acquisition of major systems and the conduct of operations."

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How PSCM Will Affect You

Transformation will not be easy. Future processes will require new roles, skills, ways of functioning and thinking. It will also require changes to policies, authorities, organizational constructs and skills sets.

General Gregory S. Martin, Commander AFMC

Memo to Sustainment Transformation Sponsors

December 24, 2003

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Commodity Centric Sourcing

Organizing enterprise *sourcing-oriented* resources, processes, data and activities around groups of similar commodities

Commercial experience has proven that sourcing value is improved significantly through increased knowledge of the commodities being sourced

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What is a Commodity Council?

Definition:

A cross-functional group, charged with formulating an AF-wide commodity/supplier strategies – executed locally (ALC level)

Objectives:

- Eliminate duplication of effort
- Minimize supply chain costs
- Supplier Development
- Leverage USAF spend

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Commodity Council Charter

- The AFMC Enterprise Commodity Councils were established as part of the Air Force PSCM Commodity Council Governance.

- Creating commodity councils within AFMC is consistent with current AF/ILI and SAF/AQC strategic direction. The anticipated benefits of implementing a commodity-centric approach include an increased focus on the end-to-end supply chain, centralization of material and sourcing strategies, and better leveraging of AF spend.

- The Aircraft Structural Commodity Council was established Feb 05.

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Commodity Council Principles

- **Knowledge of commodity** yields greater sourcing value
- **Cross-functional approach and skills** to leverage existing technical and sourcing expertise
- Commodity Councils focus on **groups of similar items**
- **Persistent structure** of enterprise commodity expertise
- Commodity Councils **work at an enterprise level**

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WHAT COMMODITY COUNCILS ARE TRYING TO ACCOMPLISH

- Improve supply support to our customers for both spare parts and repair parts
  - 20% decrease in cost
  - 20% increase in materiel availability
  - 50% reduction in cycle time

- Establish sourcing strategies for the commodity to improve supply support to the warfighter and Air Force depots

- Formation of partnering relationships and performance-based agreements

Commodity Councils become the conduit for implementing new business practices

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Establishment of the Aircraft Structures Commodity Council (ASCC)

- Established at Warner Robins Air Logistics Center in February 2005
- Responsible for 4 FSC's
- Tasked with developing a commodity-centric sourcing strategy for both spares and repair

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Commodity Council Goals

- Think enterprise-wide - strategic rather than tactical
- Capability-focused, long-term, performance-based contracts and partnerships efforts
- Leverage spend/cost reduction/price stability
- Build supplier relationships thru collaboration
- Improve performance and reduce lead times
- Overcome obsolescence issues/diminishing sources
- Reduce proliferation of items
- Supplier managed inventory
- Introduce e-collaboration tools

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Commodity Description 4 FSCs with 4 Active FSCs

FSC	FSC DESCRIPTION
1560	Airframe Structural Components
1610	Aircraft Propellers and Components
1615	Helicopter Rotor Blades, Drive Mechanisms
5342	Hardware, Weapon System

FSC Descriptions

(1560) Airframe Structural Components

Includes: This class includes fabricated system parts that are permanently attached or peculiar to the integral airframe of an aircraft, such as support structural components, spars, ribs, ailerons, stabilizers, bulkheads. Includes Flight Control Surfaces; Internal and External Auxiliary Fuel Tanks; Exhaust Systems; Pylons, Trim Tabs; Aircraft
Excludes: Fitted Covers; Helicopter Rotor Brake System Components; Aircraft Loose Equipment and Alternate Mission Configuration Equipment stored on board the aircraft

(1610) Aircraft Propellers & Components

Includes: Includes Aircraft Propellers; Propeller Blades, Cams, Cones, Hubs, Nuts, and Spinners; Test Clubs; Synchronizers; Power Control Units; Integral Oil Control Measures and Propeller Governors
Excludes: Rotary Rudder and Rotary Wing Blades (FSC 1615)

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FSC Descriptions

(1615) Helicopter Rotor Blades, Drive Mechanisms and Components

Includes: This class includes miscellaneous component parts specifically designed for, and used exclusively in, helicopter drive mechanisms and rotor blades when not specifically classified elsewhere in the FSC indexes. Includes Helicopter dynamic components and specially designed parts that transmit power from the aircraft power plant to the rotary wing and rotary rudder. Also included in this class are Rotors; Blades; Rotor Blade, Trim, Tabs; Blade Sets; Yokes; Clutches and Transmissions
Excludes: Propellers (FSC 1610); Rotor Brake Systems Components (FSC 1630); Rotor Blade Hydraulic Folding System Components (FSC 1650); Hydraulic Servo System Components (FSC 1650)

(5342) Hardware, Weapon System

Includes: Hardware designed for weapon systems unique applications will be classified in this FSC. Includes Adapters; Anchor Plates and Straps; Anodes; Bellows; Couplings; Control Rods; Access Doors; Fairleads; Mounts; Tie Rods; Yokes
Excludes: Commercial Hardware (FSC 5340)

ANALYSES OF DATA

Jolene Nichols

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Historical Contract Information

New Buys (Spares)

Type Contract	# of Conts (924)	NSNs	# of Cont Actions (1178)
"D" Type Contract	65	363	220
"C" Type contract	192	213	215
"M" Type Contract	651	479	662
Other	16	85	89

Repair

Type Contract	# of Conts (58)	NSNs	# of Cont Actions (124)
"D" Type Contract	48	191	114
"C" Type contract	5	8	5
"M" Type Contract	4	4	4
Other	1	1	1

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Contracting Recap

- 4 FSCs with historical spend
- 242 Contractors
- 982 Contracts (NIINs to Contract Ratio= 1.36:1)
- 242 Nouns
- 1174 NSNs Spare Buys and/or Repairs over last 3 years
- 1095 NSNs with Forecasted buy or repair FY2005-FY2007
- Average ALT = 157 days
- Average PLT = 442 days
- MICAP hours: 19,805/month

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Key Suppliers (Historical)

In Millions

PARENT COMPANY NAME	NSNs	SPARES AMT	CONTRACT REPAIR AMT	Total Contract Spend
GOODRICH CORP	13	$208,036,428		$208,036,428
BOEING CO THE	99	$150,232,414	$10,073,793	$160,306,207
NORTHROP GRUMMAN SYSTEMS CORP	96	$60,656,531	$16,702,546	$77,359,077
HAMILTON SUNDSTRAND CORP	16	$65,881,928		$65,881,928
MARIANNA AIRMOTIVE CORPORATION	118		$55,348,063	$55,348,063
MIDDLE RIVER AIRCRAFT SYSTEMS	16	$24,015,088	$18,725,362	$42,740,450
SIKORSKY AIRCRAFT CORP	19	$3,483,401	$13,363,795	$16,847,196
CPI AEROSTRUCTURES INC	88	$15,468,029		$15,468,029
TEXSTARS INC	24	$13,238,114	$1,854,412	$15,092,526
AMFUEL	3	$12,932,881		$12,932,881
THE NORDAM GROUP INC.	21	$11,910,748	$195,669	$12,106,417
SIERRACIN SYLMAR	9	$11,296,506		$11,296,506
TRELLEBORG AIRFRAME SEALS	9	$9,691,401		$9,691,401
LOCKHEED MARTIN CORPORATION	19	$2,376,034	$6,907,744	$9,283,778
FORREST MACHINING INC	116	$7,064,607		$7,064,607
Top 15 Commercial Totals		**$596,284,111**	**$123,171,384**	**$719,455,495**
% of ASCC Spend Totals	**51.8%**	**89.6%**	**65.0%**	**84.1%**

Key Spares Suppliers (Historical)

SPARES PARENT CONTRACTOR	SPARES AMT $	NSNs	% of ASCC Totals
GOODRICH (Rohr)	$208,767,363	12	31.4%
BOEING CO	$150,932,914	96	22.7%
HAMILTON SUNDSTRAND CORP	$67,262,648	16	10.1%
NORTHROP GRUMMAN	$60,745,986	84	9.1%
MRA SYSTEMS, INC.	$23,370,088	7	3.5%
TEXSTARS INC	$16,501,227	13	2.5%
CPI AEROSTRUCTURES INC	$15,303,678	80	2.3%
AMFUEL	$14,067,231	31	2.1%
NORDAM GROUP INC.	$12,189,467	16	1.8%
TRELLEBORG AIRFRAME SEALS	$9,691,401	9	1.5%
SIERRACIN SYLMAR	$8,985,845	6	1.4%
FORREST MACHINING INC	$7,064,607	116	1.1%
DULOND TOOL & ENGINEERING, INC.	$4,855,228	4	0.7%
MEGGITT PLC	$4,797,850	2	0.7%
PPG INDUSTRIES INC	$4,381,612	5	0.7%
Top 15 Totals	$608,917,147	497	91.5%

•Above list of 15 contractors represents over 91% of total historical spares dollars and 48% of NSNs with historical spares spend - 175 contractors have Historical spares spend data

Spend and Forecast Analysis

- A/C Structural: Budget Code 8 and ERRC S & U
  - 4 Total Federal Stock Classes (FSCs)
    - **4 Active FSCs (2,370 active items, 95% are FSC 1560)**
      - **Activity within the 6-year spend analysis period—three years history and three years forecast**
  - Total spend (FY 02-04): $ 1.33B
  - Total forecast (FY 05-07): $ 1.64B
  - Total forecast (FY 05-10)*: $2.80B

* - for contract purposes

Organic repair is highest % of repair forecast

FY02-04 Spend Summary

- **1,952 NIINs totaling $1.33B**
- **50% Spares, 50% Repair**
- **Source of Supply Spend History**
  - Total Spend
    - WR-ALC $976.3M (73%)
    - OC-ALC $229M (18%)
    - OO-ALC $124.2M (9%)
  - Spares Spend: 61% Sole Source, 35% Competitive, 4 % Unknown
- **Source of Repair Spend History**
  - 71% Organic; 29% Contract
    - Organic SOR
      - WR-ALC $461.8M (69%)
      - OC-ALC $136.2M (21%)
      - OO-ALC $66.1M (10%)

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FY05-07 Forecast Summary

- **1,497 items totaling $1.63B**
  - 39% Spares, 61% Repair
- **Source of Supply Forecast**
  - Total Spend: WR-ALC 47%; OC-ALC 38%; OO-ALC 15%
  - Spares $: 46% Sole Source; 51% Competitive; 3% TBD
- **Source of Repair Forecast**
  - 73% Organic; 15% CN/DMISA; 12% Dual/Other
- **Forecast Organic SOR by ALC**
  - WR-ALC 35%
  - OC-ALC 48%
  - OO-ALC 17%

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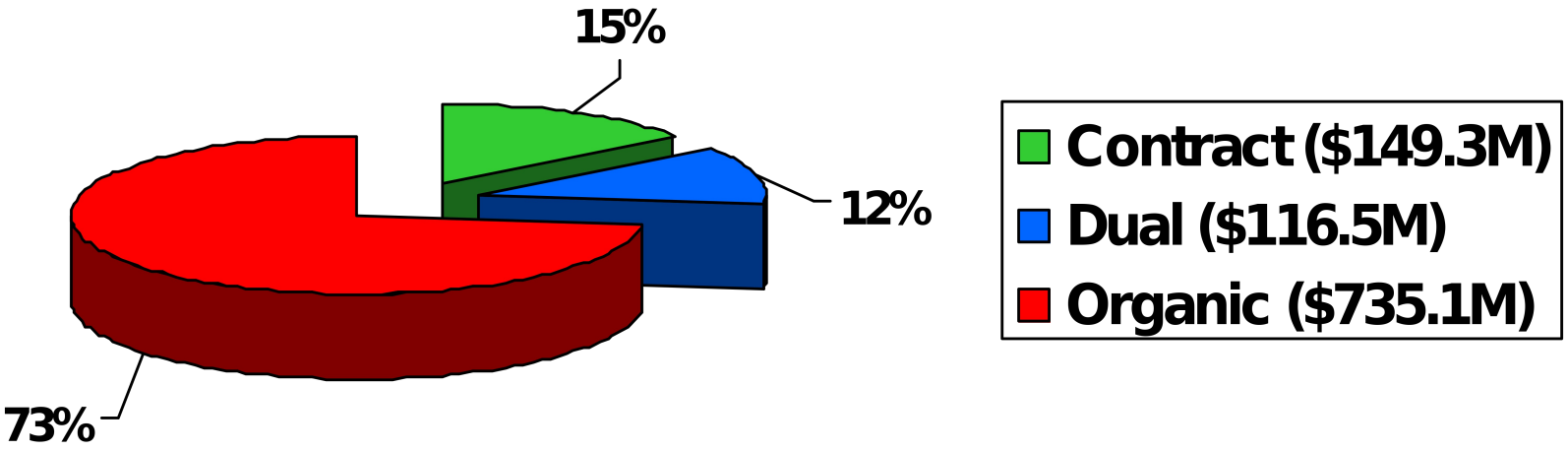
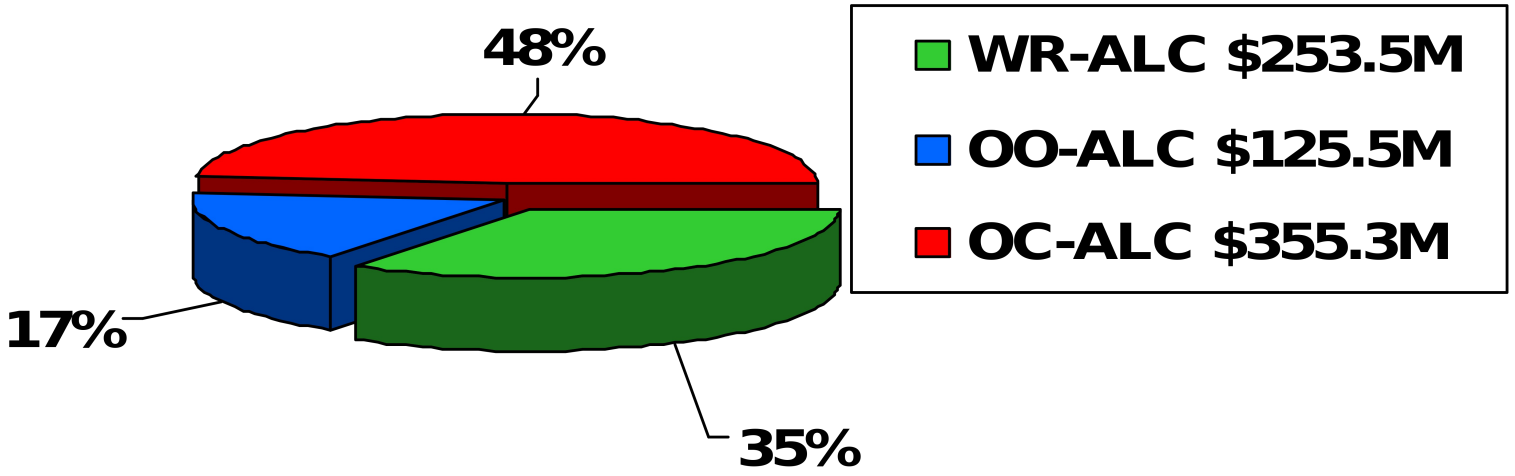
Forecast Dollars: Source of Repair



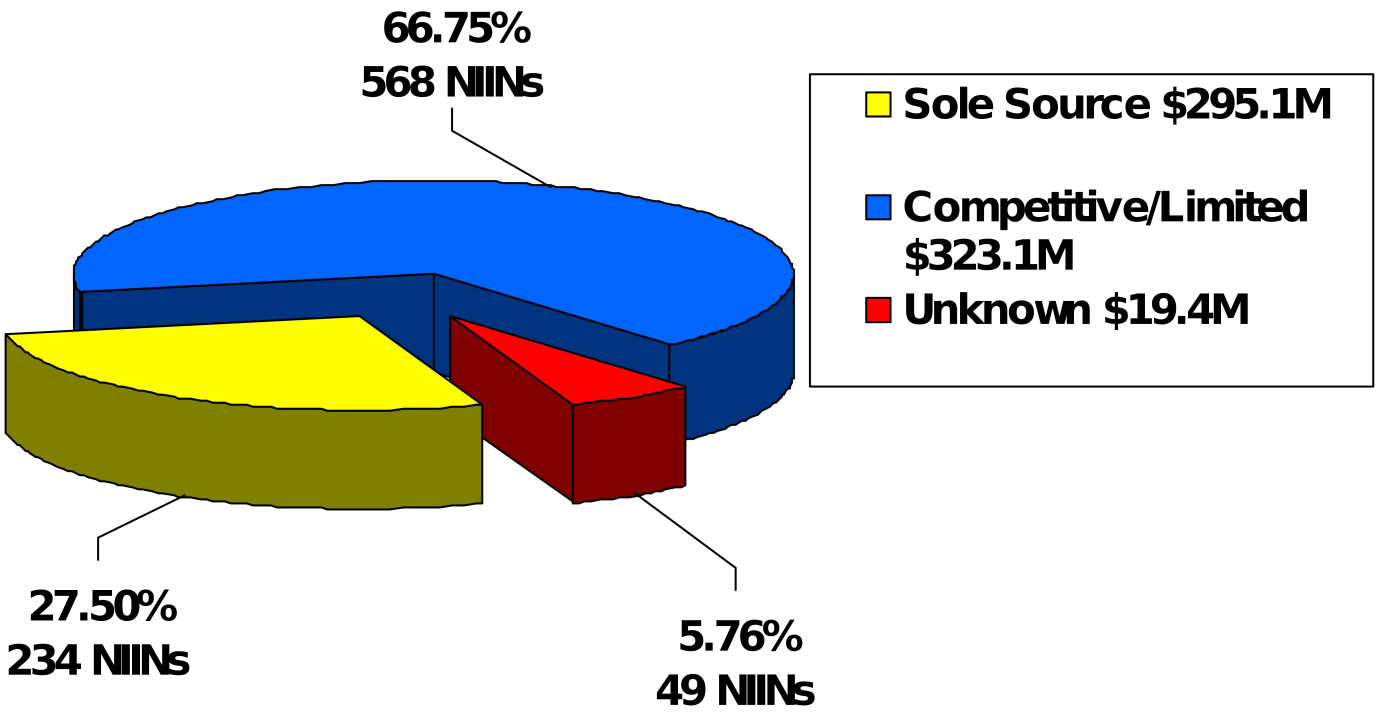
Organic is 73% forecast repair

Forecast Dollars: Organic Repair ALC



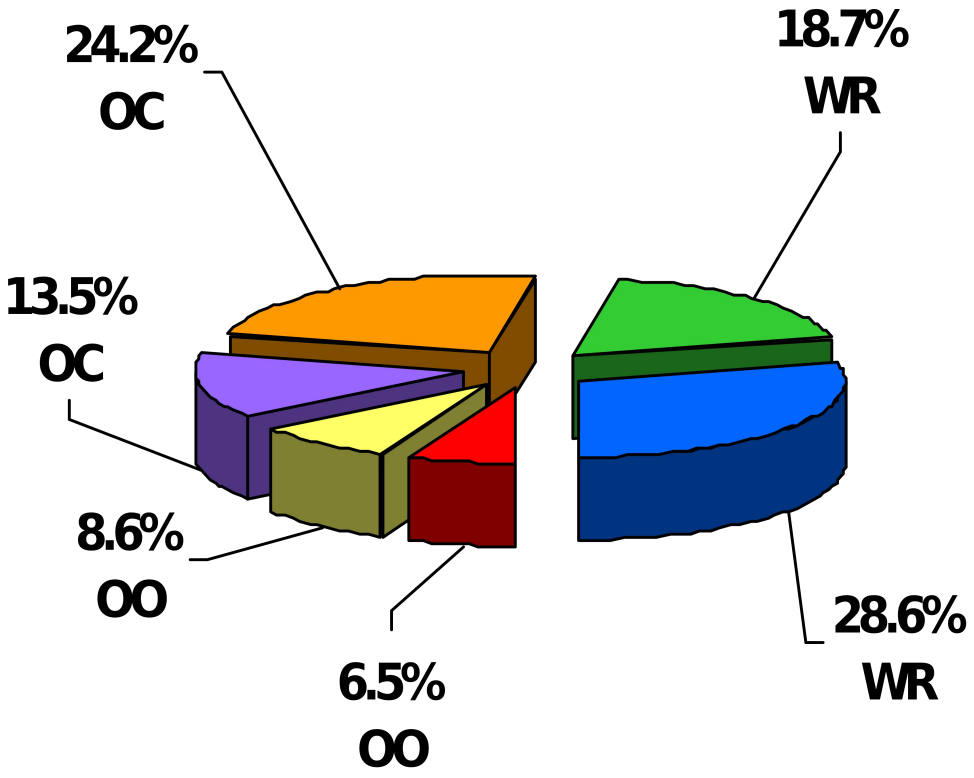
Majority of Organic Repair Forecast is OC and WR

Active NIINs with Spares Forecast $



Total number of Forecast Spares NIINs 851

Forecast Dollars by Source of Supply



WR-ALC is SOS for 47.3% of Total Forecast Dollars ($1.63B)

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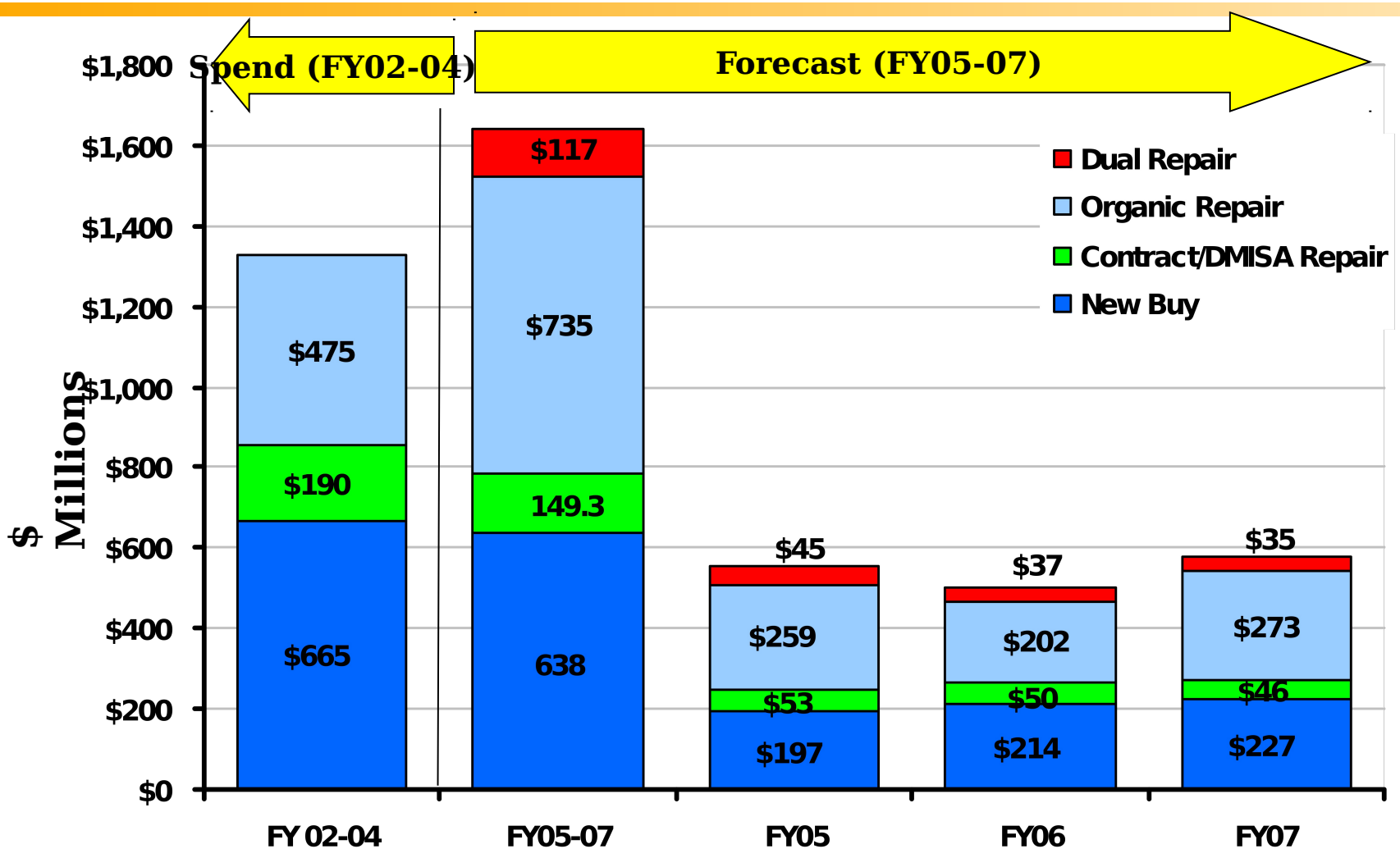
USAF-Managed Spend vs. Forecast



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Commodity Description
Major Spares Nouns

FSC	NOUN	TOTAL SPARES FORECAST $	TOTAL REPAIR FORECAST $	WS
1560	PARTS KIT,FUSELAGE	$71,421,683.00		E003B E003C
1560	COWLING	$59,200,395.00	$54,776,790.00	C005A C005B
1560	WING ASSEMBLY,AIRCRAFT	$41,000,000.00		T038A AT038B
1560	STABILIZER,VERTICAL	$37,281,930.00		F015 (ALL SERIES)
1560	COWLING	$36,376,968.00	$94,725,353.00	B052H
1560	FRAME,AIRCRAFT	$23,362,094.00		F015 (ALL SERIES)
1560	AILERON	$21,447,145.00	$4,520,470.00	F015 (ALL SERIES)
1560	RADOME	$18,054,096.00	$3,587,332.00	F015 (ALL SERIES)
1560	FLAP,WING LANDING	$14,799,416.00	$1,963,732.00	F015 (ALL SERIES)
1560	PARTS KIT,FUSELAGE	$13,420,705.00		C135 (ALL SERIES)
1560	PANEL,STRUCTURAL,AIRCRAFT	$10,490,660.00	$10,384,903.00	C005A C005B
1560	TIP,AIRCRAFT	$10,395,612.00	$452,580.00	F015 (ALL SERIES)
1560	TANK,FUEL,AIRCRAFT	$10,292,999.00	$1,385,853.00	C135 (ALL SERIES)
1560	DOOR,AIRCRAFT	$9,838,452.00	$1,293,819.00	A010A OA010A
1560	RIB,AIRFOIL	$8,990,000.00		Multi
	Top 15 Spares Totals	$386,372,155.00	$173,090,832.00	
	% of ASCC Total	60.6%	17.3%	

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Commodity Description
Major Repair Nouns

FSC	NOUN	TOTAL SPARES FORECAST $	TOTAL REPAIR FORECAST $	WS
	SUPPORT,STRUCTURAL			
1560	COMPONENT,AIRCRAFT	$452,270.00	$113,750,000.00	KC135 (ALL SERIES)
1560	STABILIZER,HORIZONTAL	$0.00	$98,933,616.00	F015 (ALL SERIES)
1560	COWLING	$36,376,968.00	$94,725,353.00	B052H
1560	WING ASSEMBLY,AIRCRAFT	$0.00	$80,928,000.00	A010A OA010A
1560	COWLING	$59,200,395.00	$54,776,790.00	C005A C005B
1610	PROPELLER,AIRCRAFT	$0.00	$40,714,430.00	C130 (ALL SERIES)
1560	FLAP,WING LANDING	$6,199,256.00	$35,082,301.00	C005A C005B
1560	DOOR,ACCESS,AIRCRAFT	$3,998.00	$27,483,962.00	C005A C005B
1560	RADOME	$3,443,699.00	$27,224,648.00	E003B E003C
1560	COWLING	$2,969,411.00	$18,398,373.00	E003B E003C
	GEARBOX,ACCESSORY			
1615	DRIVE,TURBINE ENGINE	$0.00	$16,021,919.00	MH053J
1560	SLAT,AIRCRAFT	$929,922.00	$14,575,828.00	C005A C005B
1610	HOUSING ASSEMBLY,PUMP	$492,839.00	$10,389,278.00	C130 (ALL SERIES)
1560	PANEL,STRUCTURAL,AIRCRAFT	$10,490,660.00	$10,384,903.00	C005A C005B
1610	HOUSING ASSEMBLY,VALVE	$0.00	$10,080,572.00	C130 (ALL SERIES)
	Top 15 Repair Totals	$120,559,418.00	$653,469,973.00	
	% of ASCC Total	18.9%	65.3%	

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Current Performance Metrics/ Trends

- The MSD items reflect an average of 8 days per MICAP occurrence
- 2370 NSN community averages 157 days ALT and 442 days PLT
- The two year average CWT for ASCC NSNs is 16 days
- The two year monthly average for B/Os is 8,199 ea
- The two year average for repair cycle time is 60 days

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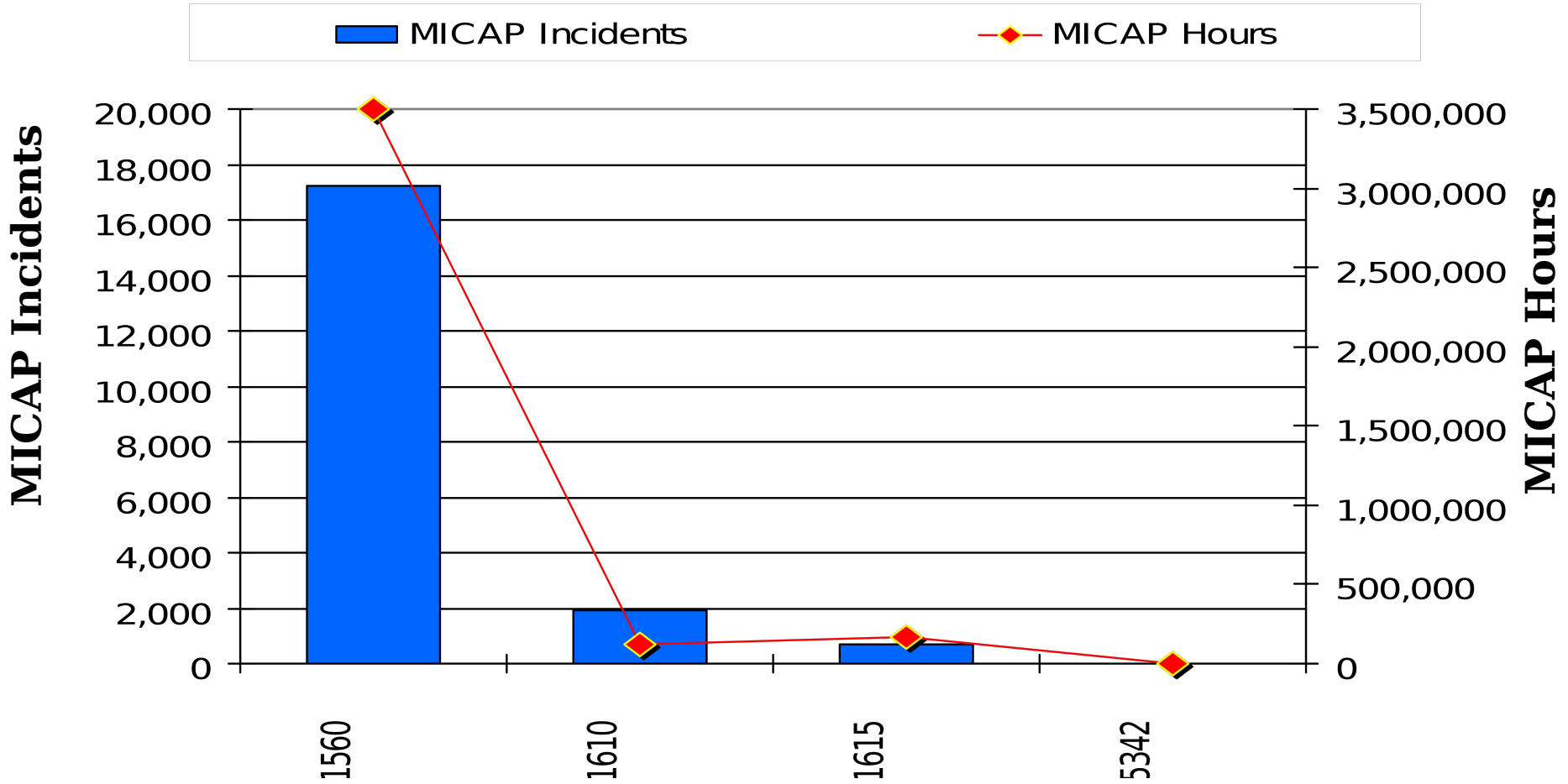
Performance Metrics: MICAPs

24-Month Totals by FSCs



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Socioeconomic Considerations

- ✓ Identify Small and Small Disadvantaged Businesses and develop partnerships to help them grow and improve
- ✓ Explore third party logistics concepts with Small and Small Disadvantaged Businesses to reduce transaction costs and ALT
- ✓ Explore Air Force SDB contracts (capabilities based) to possibly give suppliers larger contracts and reduce transaction costs

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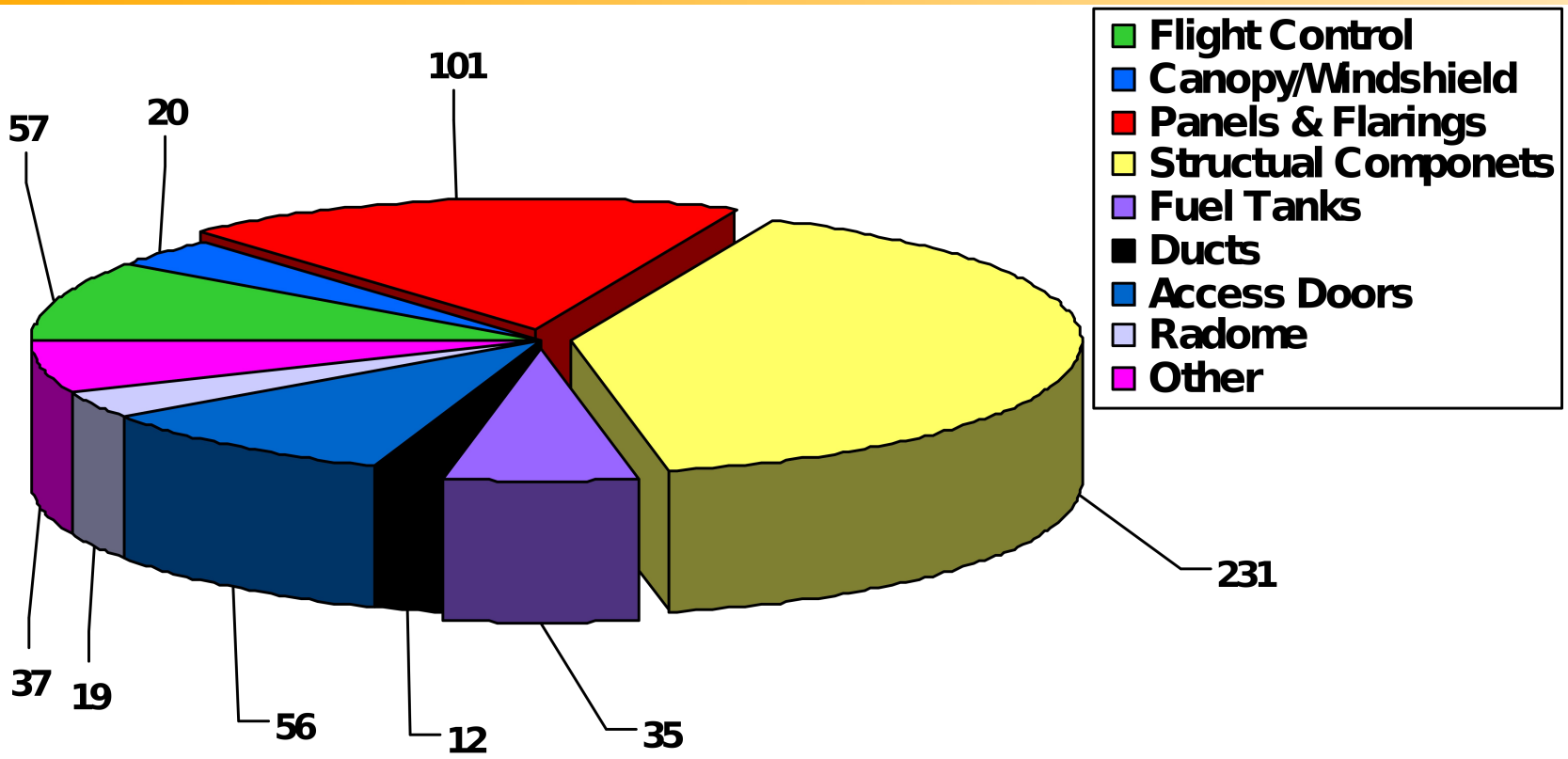
Technology Grouping

Full & Open/Limited Competition



Structural Components is the majority of the grouping by NSN count

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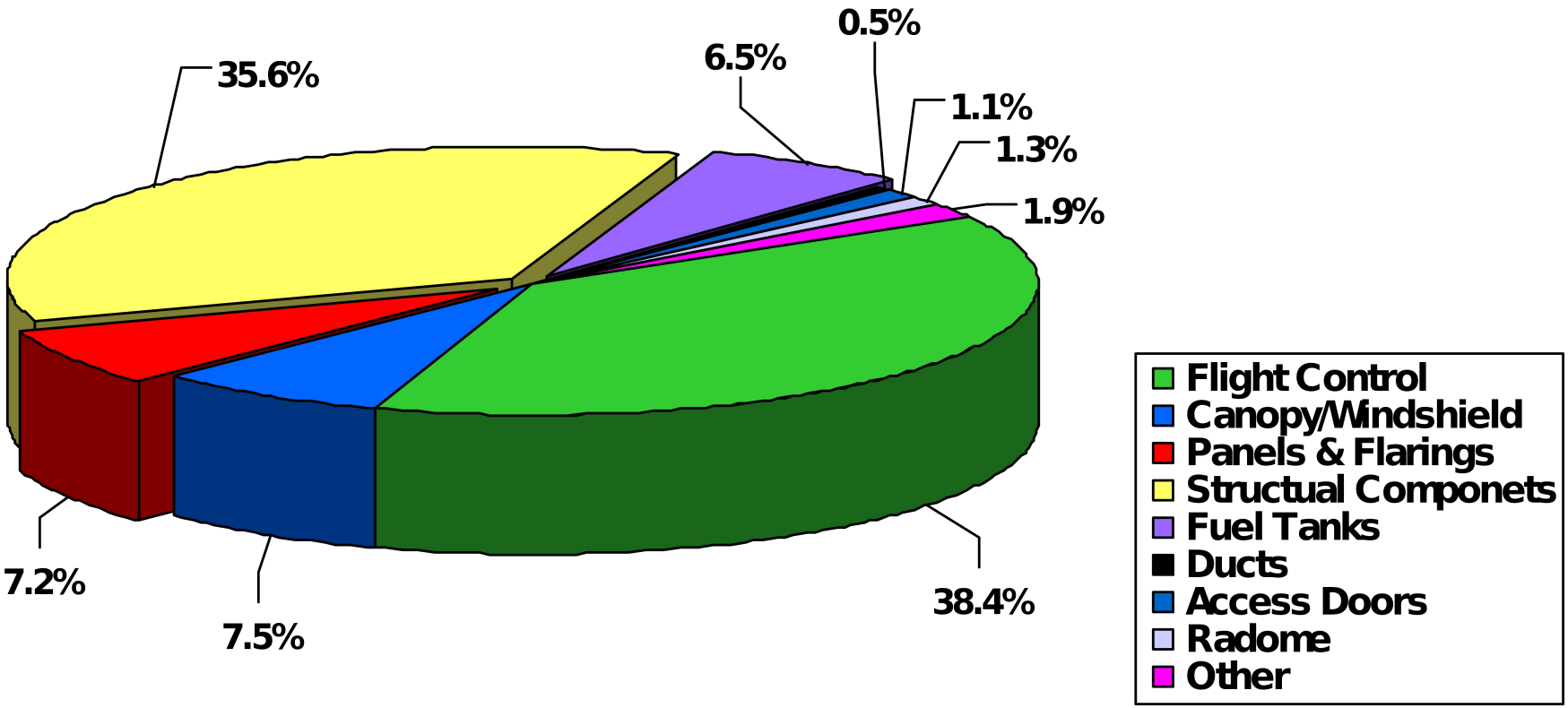
Technology Grouping
Full & Open/Limited Competition



Flight controls is the majority of the grouping by forecast dollars

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Small Business Opportunities

Competitive Spares (Forecasted)
with full data packages

FSC	NSNs	Value	SB NSNs	Value
1560	380	$132M	190	$24M
1615	3	$ 59K	0	$0
5342	5	$205K	2	$4K

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Define Goals

- Reduced CWT/ALT/PLT
- Reduced TAT
- Reduced number of contract actions and PRs
- Cost avoidance through:
  - Reduced proliferation of items
  - Manpower savings
- Mandate database file maintenance
- Reduced MICAP Incidents

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Industry Feedback

- Govt should closely examine requirements for first articles
  - Possibly qualify contractors in FSC categories
  - Possibly extend waiver criteria

- Improve internal Air Force processes
  - Reduce shipping and receiving errors
  - Accurate, valid forecasts

- Share information
  - Provide access to data systems
  - Usage of parts

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Industry Feedback

- Air Force not aware of changes in raw material suppliers
- Continue Source Inspection by DCMA
  - Fewer payment problems
- Desire to team with Government for decision making
- Long-lead items and obsolescence continue to be problems
  - Continue use of long-term contracts
  - Suggest government consider allowing surplus stock allowances
  - Use of commercial sustainment programs and processes

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Customer Feedback

- Long procurement and production/vendor qualification lead times
  - Drives use of local manufacturing capability
  - Use of more ID/IQ long term type contracts
  - Require prime contractor to qualify more than one source
- Availability of low usage material with long lead times
- Internal Processes
  - Inaccurate forecasting of components for PDM
- Prioritization of workload between weapon systems
- Needs more visibility of items included on corporate contracts
- Proprietary OEM data

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How Can Industry Be Part of the Solution?

- Respond to Request for Information
- Provide information on the market environment
- Provide input on the item groupings
- Relay any best practices from industry that may be applied in our environment
- Offer comments/suggestions on any other issues that may affect developing strategies

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